



**Five ways  
for research  
institutions to  
navigate the  
evolving R&D  
funding landscape**



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As the landscape of research and development (R&D) funding continues to evolve in the early days of President Trump's second term, research institutions must adapt to new realities shaped by changes in federal policies, economic pressures and industry demands. For example, the recent announcement by the National Institutes of Health (NIH) that it will slash indirect cost rates (also known as facilities and administrative, or F&A, rates) to 15% is raising concerns across the academic research community. In some cases, academic institutions are already taking rapid actions, including pausing PhD program admissions. The 15% proposal is significantly lower than the average pre-negotiated rates, which generally range from 25% to 60% or greater. In addition, this rate reduction could drive the loss of access to hundreds of millions of dollars in federal research funding overnight, with potential cuts translating to a 18%-30% or more reduction in total NIH funding.

The anticipated impact of the new administration's policies on federal research funds is just one example of the shifting dynamics institutions must navigate. As legal challenges to these proposed changes continue, institutions need to evaluate five key steps to respond to increasing uncertainty across the research funding landscape.



## Background

The current market landscape for research funding is characterized by a mix of federal, state and private funding sources. Federal funding has historically been integral to academic research, by one estimate accounting for approximately 55% of academic research funding in FY 2021. Of the total federal funding awarded to research institutions, over 90% comes from six major entities: the Department of Health and Human Services (HHS), which includes the NIH; the Department of Defense (DOD); the National Science Foundation (NSF); the Department of Energy (DOE); the National Aeronautics and Space Administration (NASA); and the Department of Agriculture (USDA).

# Key strategies for research funding success

The following five strategies are essential to enhance financial sustainability and drive continued success in securing research funding during this period of uncertainty.

**1** Diversify to a financially sustainable portfolio mix. Institutions must critically evaluate and diversify their funding portfolios to enhance financial sustainability in this environment. Increasing collaboration with industry and other partners, including pharmaceutical and biotech companies, foundations and state grants, not only secures vital funding but also enables alignment of research efforts with market needs. In light of potential cuts to indirect funding across federal organizations, industry sponsors may also offer higher indirect rates. This strategic shift can enable organizations to codevelop projects that address specific industry challenges. By taking this approach, research institutions can enhance the relevance and applicability of research while also reducing their reliance on federal funding and establishing a more robust and diverse financial foundation.

**2** Differentiate the institution as a preferred site of choice. As competition for federal funding intensifies, institutions must position themselves as preferred recipients of funding from award sponsors. To stand out, they must establish a strong reputation for research excellence, demonstrating successful outcomes and highlighting unique capabilities (e.g., effective site management and transparent communication, accelerated study activation, enrollment and retention of study participants, timely reporting to sponsors). Institutions also should invest in marketing efforts to demonstrate their research strengths and cultivate relationships with potential sponsors to enhance visibility and attractiveness.

**3** Be prepared to navigate increased scrutiny for federal funding. Increasing competition for R&D funding is anticipated to intensify sponsors' scrutiny around compliance and appropriate use of funds. As such, institutions must validate that their proposal submissions are robust and well-justified, providing clear budgetary rationale and demonstrating the potential impact of the proposed research. Furthermore, establishing controls to maintain compliance with applicable regulations and sponsor requirements, along with upholding transparent financial practices, is essential for proactive risk mitigation, preparation for rigorous audits, and prevention of funding loss, financial penalties and reputational damage.

**4** Develop new revenue streams via net-new services. To supplement traditional funding sources, research institutions should explore establishing new revenue streams by offering new, differentiated services. These services, ranging from clinical trial management to regulatory compliance and data management, can leverage currently available research assets and generate tens of millions of dollars in profit and high-margin revenue. Additionally, by leveraging in-house knowledge and resources, institutions can provide valuable research services to external clients, creating additional income while enhancing their research capabilities.

**5** Reduce costs while protecting impact. In light of looming budget constraints, research institutions should explore ways to reduce costs and improve efficiency. This approach may include consolidating select research administration functions (e.g., budgeting, contracting, regulatory support), outsourcing select research functions, exploring new business models through collaborations with other institutions and industry partners (e.g., joint ventures), and adopting emerging intelligent automation technology (e.g., agentic AI) to unlock shared resources, reduce overhead and increase research capacity.

# Conclusion

As research institutions face an increasingly complex funding landscape, adapting to new realities is essential for sustained success. By prioritizing compliance, diversifying funding sources and implementing strategic initiatives via new business models, institutions can enhance their financial sustainability and resilience. The five strategies outlined above provide a roadmap for navigating challenges and seizing opportunities in the evolving research environment. Embracing these approaches will not only safeguard funding but also position institutions as leaders in innovation and collaboration, ultimately advancing their mission to drive impactful research.

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